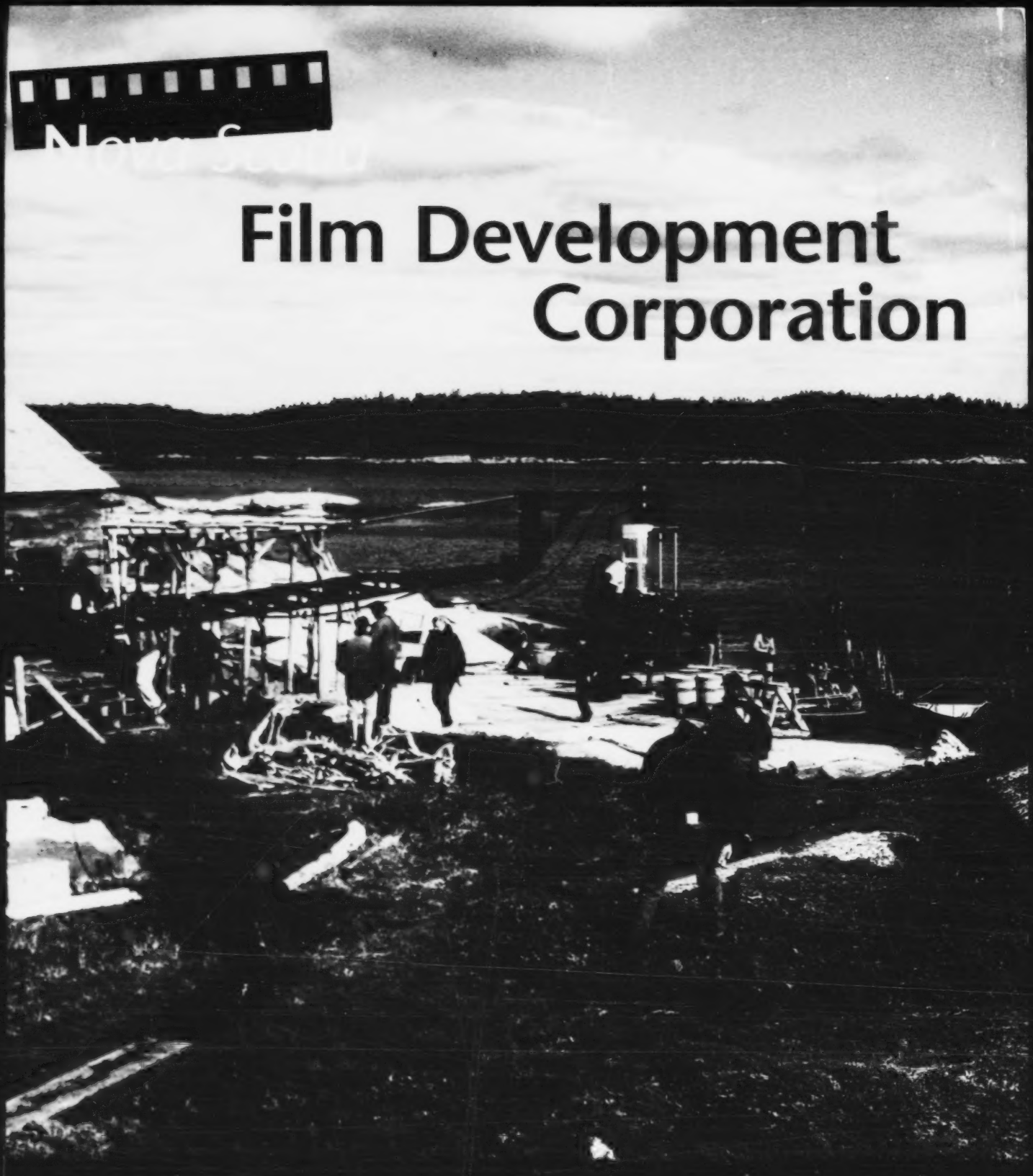

Film Development Corporation

Annual Report

2001~2002

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Touch and Go
Chronicle Pictures

Cover Photo: Chris Reardon

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Cover Photo: Chris Reardon

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Economic Development

Message from the Minister

In 2001-2002, Nova Scotia continued to proudly put out the welcome mat for one Hollywood star after another, who came to share the province's natural beauty and filmmaking know-how. At the same time, we are especially proud of the fact that local filmmakers are playing an ever-increasing role in putting Nova Scotia on the entertainment map.

As you will read in the pages that follow, 2001-2002 was a year to beat all in terms of film and television production in this province. And as profitable as guest productions were last year, Nova Scotia's own filmmakers generated the lion's share of the action, and have been doing so for some time.

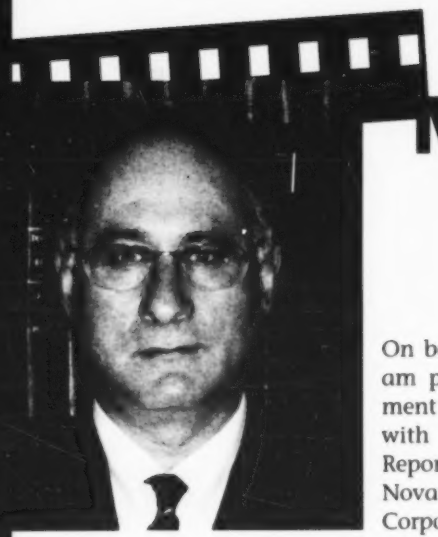
As the years go by, the ranks of our talented filmmakers grow. The same goes for our first-class actors, experienced crews, and sophisticated production facilities. All get better with age, adding exponentially to what we can offer the world of entertainment.

The government intends to help the industry keep adding value, to meet the demand from both local and guest producers who keep wanting to make their films here. Whether that help involves appropriate taxation or financing environments, training programs to deepen our talent pool for film crews, or professional development for others already in the industry, the government of Nova Scotia will continue to support the infrastructure the industry needs to prosper.

This growing sector has now taken root in our economy, thanks in part to the dedicated and creative efforts of the staff at the Nova Scotia Film Development Corporation. Through the corporation, the government looks forward to continuing its partnership with the film industry and to developing policies and programs that will nourish and sustain it.

Cecil Clarke
Minister responsible for the Nova Scotia Film Development Corporation

Rideau Hall
Topsail Entertainment Limited
Photo Credit: Chris Reardon



Message from the Chair

September 1, 2002

On behalf of the Board of Directors, I am pleased to present the Government and the people of Nova Scotia with the 2001-2002 Annual Report on the activities of the Nova Scotia Film Development Corporation.

The Nova Scotia Film Development Corporation's mandate is to grow the film and video industry in Nova Scotia by stimulating investment and employment and by promoting Nova Scotia's locations, skills and creativity in global markets. With production dollars spent in the province of $137 million this year, we are proud to report that our goal is being met.

The film and television industry is increasingly becoming a global industry. To be competitive producers must not only create high quality programs, they must also sell these programs both nationally and internationally. In an effort to help Nova Scotia-based producers export their programs, the Corporation organized a film, television, and new media trade mission to New York. Over fifty meetings were scheduled with thirty plus individual New York companies during the two-day period and the mission was deemed a success by all of the eight Nova Scotia production company participants. Meetings were scheduled with broadcasters, distributors and independent production companies.

In order to provide a business friendly environment and to allow producers to long-range plan for their productions, the Corporation was pleased to facilitate the extension of the Film Industry Tax Credit to December 31, 2005. The tax credit is a crucial financing tool used by both local and guest producers to finance their productions.

The Corporation is proud to have sponsored the Atlantic Film Festival once again. With the number of international delegates increasing each year, the festival provides valuable venues to showcase the work of Nova Scotia's filmmakers, professional development opportunities, and promotes the province.

The growth in Nova Scotia's film industry could not have been achieved without the active support of the Government of Nova Scotia. The industry has received support and funding initiatives including direct investments in film projects, training programs, and infrastructure to sustain the industry such as the film industry tax credit, soundstages and animation facilities. The Premier, the Honourable John Hamm, and the Minister of the Office of Economic Development, the Honourable Cecil Clarke, remain strong supporters of film, television, and new media with a commitment to vigorously promote Nova Scotia as a film, video and multi-media production location.

The Board is proud of the CEO, Ann MacKenzie, and her team at the Nova Scotia Film Development Corporation. The increase in activity in the film industry and community partnerships is a testament to their hard work and commitment to their clients.

To conclude, the Board of the Nova Scotia Film Development Corporation is proud to have worked with the many talented and committed people involved in growing our film and television industry and we are pleased to have been able to make a contribution of significance in the growth of the economy in Nova Scotia.

Martin Pink, QC
Chair,
The Board of Directors

Board of Directors

Martin Pink, Chair

Martin Pink, QC
Chair 2001 - 2002 and Director 2000, Yarmouth

Michael Condé, Director

Michael Condé
Director 2000 - 2002, Secretary, Halifax

Shirley Carras
Director 2000 - 2002, Halifax

Bruce MacDonald, Director

Bruce MacDonald
Director 2001 - 2002, Treasurer, Baddeck

Rita Lamontagne MacDonald
Director 2001 - 2002, Martin's Point

Rita Lamontagne MacDonald, Director

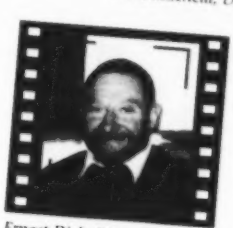
Mark Macneill
Director 2001 - 2002, Tantallon

Ernest Dick
Director 2002, Granville Ferry

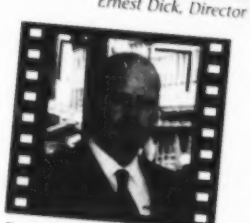
Mark Macneill, Director

Paul MacKinnon
Director 2002, Halifax

This Hour Has 22 Minutes, Salter Street Films Limited



Ernest Dick, Director



Paul MacKinnon, Director

Contracted Projects March 31, 2002

Summary - Program Funds Contracted & Tax Credits Finalized for the year ended March 31, 2002

Equity Investments	$1,690,281
Development Loans	$223,356
Special Projects	$115,825
Training Assistance Program	$251,357
Total Program Funds	$2,280,819
Finalized Tax Credits	$8,596,928
Total Contracted Program Funds & Finalized Tax Credits	**$10,877,747**

Production	Producer	Amount
Equity Investments Contracted March 31, 2002		
Deep Beats	BaDa Boom	$10,000
Hippo Tub Company	Cage Digital	$160,000
Evil Schmeevil	Virtual Media Productions	$50,000
Liocracy- Season 2	Creative Atlantic	$200,000
Trudeau	Big Motion Pictures	$200,000
Touch & Go	Chronicle Pictures	$100,000
Stanton T Friedman IS Real	Redstar Films	$11,285
Rideau Hall	Topsail Entertainment	$50,000
Hydrofoils	Arcadia Entertainment	$32,156
Baba's House	Flashfire Productions	$50,000
Quartette Christmas	New Scotland Pictures	$30,000
Chef At Large	Ocean Entertainment	$85,000
Mountain Magic	Ocean Entertainment	$13,000
Canadians East	Tri Media	$60,000
Olliver's Adventures	Collideascope Digital	$200,000
Barker VC	Ocean Entertainment	$30,660
The Wake	BLT Productions	$5,000
Pugwash/Sophie	Cochran Entertainment	$50,000
Erica Rutherford	Creative Atlantic	$34,930
Red Hot & Ready	Ocean Entertainment	$40,000
The Smith Project	Idlewild Films	$23,000
Julie Walking Home	imX communications	$130,000
Nite at the Opera	Redstar Films	$7,250
Meet The Cottars	New Scotland Pictures	$16,000
Tall Ship Chronicles 2	Topsail Entertainment	$45,000
Table Hockey	Triad Films	$15,000
Words of My Perfect Teacher	Ziji Films	$42,000
TOTAL		**$1,690,281**
Development Loans Contracted March 31, 2002		
Boston Tar Baby	We People Productions	$7,000
Mir: Invisible Science	Aash Records	$7,500
Revisioning Mann	Tsosumi	$5,289
Gideon's Blues	Jigsaw/Emotion	$10,000
Turing Test	Jigsaw	$8,000
Aggie@Agony.com	Ocean Entertainment	$10,000
Dominion Day	Arcadia	$15,000
Premier, You Can't...2	Ocean Entertainment	$8,000
Scarlet Ribbons	New Scotland Pictures	$4,000
Untold Story: Acadia	Radio CJLS	$8,860
Nevermind Year	If 6 Was 9	$3,333
Wolves Among Sheep	Big Motion Pictures	$10,000
Travelling Medicine Show	Palpable Productions	$10,000
Drum!	Topsail Entertainment	$10,000
Mary Jane Lamond	Sharing of Song	$10,000
Murder in Mayhem	Syndicate Co.	$9,880
El Kayak	Some Productions	$6,500
Love Hurts	Picture Plant	$10,000
Men of the Deeps	Picture Plant	$10,000
Electropolis	Cochran Entertainment	$22,712

Trailer Park Boys, Topsail Entertainment Limited

Seats 3a & 3c.com	imX communications	$10,000
Elizabeth Bishop's Nova Scotia	Nexus Media	$10,000
Weaver	Chronicle Pictures	$17,282
TOTAL		**$223,356**
Special Projects Contracted March 31, 2002		
Reel Black Film Night	Step Up Productions	$4,500
Atlantic Film Festival	Atlantic Film Festival Society	$45,000
Program 5	AFCOOP/CFAT	$44,625
Mentorship/Scholarship	Centre for Art Tapes	$3,000
Corner Stone Program	Moving Images Group	$15,000
King's Guerrila Film Festival	King's Independent Film Society	$3,700
TOTAL		**$115,825**
Training Assistance Contracted March 31, 2002		
dragonwheel	imX communications	$21,945
Wise Girls	imX communications	$37,500
Virginia's Run	KnightsCove Entertainment	$51,833
Evil Schmeevil	Virtual Media Productions	$11,770
Quartette Christmas	New Scotland Pictures	$2,940
Chef at Large	Ocean Entertainment	$3,084
Trailer Park Boys 2	Topsail Entertainment	$10,002
The Wake	BLT Productions	$2,314
Trudeau	Big Motion Pictures	$4,098
Lexx 4	Salter Street Films	$4,494
Red Hot and Ready	Ocean Entertainment	$25,450
Words of My Perfect Teacher	Ziji Productions	$17,708
Past Perfect	imX communications	$8,736
The Wild Dogs	imX communications	$2,140
Julie Walking Home	imX communications	$6,748
Touch and Go	Chronicle Pictures	$18,858
Awesome 2	Aftermath Television Productions	$21,738
TOTAL		**$251,357**

Note: Some of these funds were dispersed in fiscal 2001/02. The remainder will be dispersed when contractual terms are met.

Message from the CEO

September 1, 2002

Film and television production in Nova Scotia broke all records in 2001-2002.

The industry created approximately 1,900 jobs and spent $137 million directly in the province's economy - $37 million more than the previous year with both local and guest productions achieving increases. Of the $137 million, $89 million was created and produced by Nova Scotia filmmakers, and guest productions accounted for $48 million.

Much of this growth is directly attributable to Nova Scotia's many talented filmmakers and the strong level of support provided by the Government of Nova Scotia. Nova Scotian filmmakers are consistently recognized with Gemini awards as well as nominations for Genie awards.

Nova Scotia producers are creating world class programming for national and international audiences. Feature films completed include two of imX communications inc's digital film series: The Wild Dogs and Past Perfect. Also completed is the German-Polish-Canadian co-production Julie Walking Home and Chronicle Pictures' Touch and Go.

Big Motion Pictures Inc. produced the epic Trudeau television miniseries starring Colm Feore as Trudeau and directed by Jerry Ciccoritti. Television series included the animated Olliver's Adventures, the Liocracy series starring Leslie Nielsen, the outrageous docudrama Trailer Park Boys, Tall Ship Chronicles, Made in Canada, Blackfly, By the Book, LEXX, Chef at Large, Red Hot and Ready, Rideau Hall and the long-running This Hour Has 22 Minutes. Many television specials were completed, including the animated special Evil Schmeevil, Words of My Perfect Teacher and Quartette Christmas.

Nova Scotia's profile as a prime location for film shooting is growing. Guest productions included The Shipping News, starring Kevin Spacey, Judi Dench, Cate Blanchett and Julianne Moore, and K19: The Widowmaker, starring Harrison Ford, with production carrying over two fiscal years.

Other guest productions shot in Nova Scotia include CBS' A Town Without Christmas, starring Peter Falk and Patricia Heaton; Knightscove's Virginia's Run, starring Gabriel Byrne and Joanne Whalley; Leading Pictures' Wise Girls, starring Mira Sorvino and Mariah Carey; Equinox Entertainment's Phase IV, starring Dean Cain; Lions Gate's The Pilot's Wife, starring Christine Lahti; and the UK-produced My Little Eye.

Guest productions shoot in Nova Scotia for the province's spectacular locations, experienced crews, broad infrastructure of sound stages, production and post-production houses and equipment supply companies. Add to these competitive advantages the value of the Canadian dollar, the film industry tax credit and the film development corporation's programs, and Nova Scotia offers a very attractive package.

The Corporation was pleased to partner with CBC Television, Atlantic Region to create the Bridge Award Program. The Bridge Award is designed to provide an opportunity for emerging Nova Scotia producers who are ready to make their first half-hour or one-hour project for television.

The Corporation implemented screening nights of local producers' television shows on the last Tuesday of every second month at Hell's Kitchen. The screening nights attract large audiences and give local filmmakers an opportunity to show their works to a home audience that may not have had the opportunity to see the work before. As well, the screenings allow people to experience some of the high-quality programs made possible by the Corporation's support.

Through the Nova Scotia Film Industry Tax Credit, Equity Investment, Development Loan, New Media, Sponsorships, Special Awards, Skills Development, and Travel/Marketing Assistance programs, the Corporation and the Government of Nova Scotia are proud to be playing a role in the development of Nova Scotia's vibrant film and television industry.

It has been my pleasure this past year to work with Nova Scotia's many talented filmmakers, a supportive board of directors and provincial government. The film and television industry requires a great deal of teamwork on all fronts and Nova Scotia's community consistently meets this challenge.

Ann MacKenzie, CA, CPA
Chief Executive Officer

Nova Scotia

Film Development Corporation

The Corporation

Created in 1990, the Nova Scotia Film Development Corporation is a Provincial Crown Corporation reporting to the Office of Economic Development. The mission of the Corporation is to grow the Film and Video Industry in Nova Scotia by stimulating investment and employment and by promoting Nova Scotia's locations, skills and creativity in global markets. The Corporation's vision is "Nova Scotia is entertaining and informing the world through traditional and new media."

Activities designed to assist the Corporation in achieving its goal of growing the film and television industry include:

- Assist and promote the development of the private-sector film and video industry in the Province in the areas of funding, marketing, promotion, training and education;
- Create and stimulate employment and investment and encourage the making of film and video productions in the Province;
- Assist and co-ordinate financial or other assistance by any departments, boards, commissions or agencies of the Province to the film and video industry in the Province and co-ordinate any financial or other assistance by any departments, boards, commissions or agencies from other jurisdictions to the film and video industry in the Province;
- Encourage and promote Public/Private partnership opportunities allowing Nova Scotia producers to access additional private sector funds.

A Board appointed by the Government of Nova Scotia directs the affairs of the Corporation. The administration of the Corporation and its programs and the implementation of the Board's decisions are carried out by the Chief Executive Officer and other full-time staff. The Corporation's budget covers administration and all of its industry development programs. In 2001-2002 the Corporation's total revenue was $2.8 million, of which $2.4 million was available for industry investment activities.

The Personnel

The Chief Executive Officer of the Corporation, Ann MacKenzie, who has been with the Corporation since 1997, administers the Corporation. The Chief Executive Officer reports to the Board and has chief responsibility for all film industry programs administered by the Corporation. A Director of Finance, a Director of Learning & Development, a Program Administrator, a FITAP Administrator and an Office Administrator assist the Chief Executive Officer with film investment/incentive programs and other corporate initiatives. A Locations Officer assists Ann in marketing Nova Scotia as a film location.

Olliver's Adventures
Collideascope Digital Productions Inc.

Growing the Film Industry in Nova Scotia

The Nova Scotia Film Development Corporation has two streams of programs designed to develop the film industry in Nova Scotia.

The Corporation's financial programs include equity investments, development loans, special project awards, training assistance, travel/marketing assistance and new media development loans & equity investments.

The second category of programs is aimed at guest filmmakers. The Locations Department promotes the Province as a place to film, which results in co-productions or in attracting fully financed foreign films. The Locations Officer maintains an extensive library of photographs representing the entire Province and the Corporation fills numerous location requests throughout the year. Locations packages include information on Nova Scotia, services available, location photographs and the much sought-after Nova Scotia Film and Video Production Guide. A high-quality informative guide to film and video production in the Province, the Guide is a key tool used by producers and production companies when considering shooting in Nova Scotia.

Additionally, the Nova Scotia Film Development Corporation administers the Nova Scotia Film Industry Tax Credit Program. The film industry tax credit is a labour-based, fully refundable tax credit, which is available to local and guest producers.

Both investing in local filmmakers and locations marketing contribute to the development of a stable and expanding film industry in Nova Scotia.

Local Production

Film Industry Development Programs

The Nova Scotia Film Development Corporation administers several different economic incentive programs. These programs are accessible to Nova Scotia producers who may be acting alone or in co-productions with out-of-Province producers. In the 2001-2002 fiscal year, there was eight financial programs available for Nova Scotian producers: the Equity Investment Program; the Development Loan Program; the New Media Fund; the Travel/Market Assistance Program; the Nova Scotia Film Industry Tax Credit; the Film Industry Training Assistance Program; the Partnerships in Training Program; and the Special Project Award Program. In 2001-2002, the Corporation had $2.4 million available for industry investment activities and producers accessed $6.2 million through the Nova Scotia Film Industry Tax Credit.

During the year, the Corporation financially supported 77 local projects, which generated $89 million of production spending in the province and created approximately 1900 jobs.

Equity Investment & Development Loans

The Corporation will invest in a qualifying Nova Scotia production up to one-third of the production budget to maximum dollar participation per project of $200,000. This investment triggers other sources of financing and enables producers to make their films.

The Corporation provides development loans of $25,000 per project to a maximum of one-third of the budget. These loans enable producers to develop their ideas to a stage where potential investors will be interested.

Travel/Market Assistance

The Corporation provides financial assistance for local producers to attend markets and festivals with the goal of selling completed works or attracting co-production partners for projects in the development stage.

Film Industry Tax Credit

The film industry tax credit is a labour-based tax credit of 30-35% of eligible Nova Scotia labour capped at 15-17.5% of the total Nova Scotia production budget depending on where in the province production is shot. The tax credit is a key-financing tool used by producers to complete their film and television projects.

New Media Fund

The Corporation provides both equity investments and development loans for new media projects such as CD-ROMs and Internet-delivered programs.

Learning and Development Department

The Learning and Development Department enabled the delivery of nine training and

development programs this year resulting in learning opportunities for 588 members of the Nova Scotia film and television industry. Through these programs, 18 production opportunities were created and emerging producers, creatives and crew developed practical skills and attained experience. Public participation in industry events, such as the Atlantic Film Festival and Reel Black Film Night, grew to 16,186, demonstrating a benefit beyond the industry development created by the Corporation's sponsorship.

FITAP

The Film Industry Training Assistance program (FITAP) is a joint federal-provincial government initiative through the Canada-Nova Scotia COOPERATION Agreement on Economic Diversification. FITAP creates opportunities for on-the job training experience by encouraging producers to promote crewmembers to higher levels or provide opportunities for crew to deepen their experience in a specific role. The Corporation will normally support up to four trainee positions per project to a maximum of $57,600. During the past year 52 people have advanced through the program. This program is designed to increase the expertise of Nova Scotia crews by allowing individuals to receive training through experience.

Bridge Award

The Corporation was pleased to partner with CBC Television, Atlantic Region to launch the CBC/NSFDC Bridge Award for emerging producers. This juried program is designed to assist emerging producers in entering the industry. Successful applicants receive a $5,000 CBC broadcast licence, a $15,000 NSFDC equity investment and $10,000 in services from the CBC. Two Awards will be offered each year in February.

FirstWorks™

With the sponsorship of the Antigonish Regional Development Authority, FirstWorks™ was launched in Antigonish with filmmaker Lulu Keating returning from Vancouver to lead a group of eight young aspiring filmmakers through a first production. Leadership and life/work training was provided by Heartwood Institute. FirstWorks™ has been delivered in four areas of the province since the program was launched in 2000.

All of the FirstWorks™ films are now available for viewing at CBC.CA/YAS

Partnerships in Training

Through investment in the Atlantic Filmmaker's Cooperative and Centre for Art Tapes' Program 5, Nova Scotians gained access to on-set training opportunities and skill development workshops related to all major crew departments. As well, the program provided cross training opportunities for existing crewmembers.

Program 5 allowed four emerging teams of directors, writers and producers the opportunity to produce original work under the guidance of a host of mentors, teachers and managers. With the films routinely screening at the Atlantic Film Festival, the program is a launch pad for increasingly higher profile work.

Investment in the Moving Images Group professional development program resulted in the introduction of a series of new interdisciplinary learning events as well as more traditional skill building opportunities.

Special Initiative Programs

Sponsorships

The Atlantic Film Festival - The Atlantic Film Festival hosts public screenings of current films for adults and children, competitions, workshops and seminars that assist in the development of the industry. Each year, work from around the world is showcased, but most importantly, works by Nova Scotian filmmakers are featured. This offers local audiences an opportunity to see original films by the region's up-and-coming talent. The Corporation views the Atlantic Film Festival as an important development and showcase opportunity for the Nova Scotia film industry and is, therefore, pleased to partner with the festival.

Reel Black Film Night - Reel Black Film Night celebrates short films made by black filmmakers from across Canada. The event, hosted at Halifax's prestigious Oxford Theatre, features both emerging and established directors. By showcasing the work of local and national filmmakers, the film night aspires to encourage more people from underrepresented communities to take the plunge into the wonderful art form called filmmaking.

Guest Production

Locations Department

Locations marketing activities carried out by the Corporation resulted in foreign production spending in the province of $48 million.

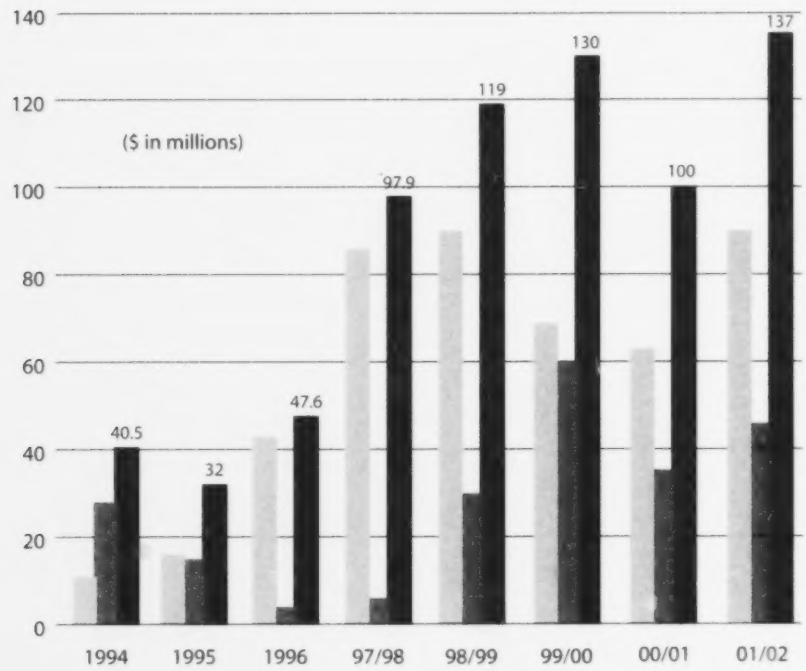
Marketing

- The NSFDC maintains a high profile for Nova Scotia in the international film community through marketing, promotion and delivery of location and liaison information.
- The NSFDC maintains membership in the Association of Film Commissioners International.
- The Corporation presents at major film industry trade shows and festivals, and arranges film industry trade missions. Marketing also includes developing key relationships with studio executives in offshore markets, and familiarizing decision-makers with the skills of Nova Scotian crews and the settings Nova Scotia has to offer.
- The Corporation produces a top-quality production guide, CD-ROM featuring Nova Scotia locations, and Locations picture books. All of these tools showcase Nova Scotia's varied location shooting possibilities.

The world is discovering all that Nova Scotia has to offer through diversity of landscapes, cultures and people. The following is a highlight of service and guest productions that took place in Nova Scotia in fiscal 2001-2002:

• Feature Films and Movies of the Week	$ 42,600,000
• Commercials	$ 3,400,000
• News and Other Shows	$ 1,200,000
• Documentaries	$ 800,000

Nova Scotia Film Production



NS vs GUEST*

94	=	11.5	vs	29.0
95	=	17.0	vs	15.0
96	=	43.3	vs	4.3
97/98	=	92.5	vs	5.4
98/99	=	89.5	vs	29.5
99/00	=	70.0	vs	60.0
00/01	=	65	vs	35
01/02	=	89	vs	48

Nova Scotia

Guest

Total

** Please note that "Guest" production refers to non-Nova Scotia projects filmed in Nova Scotia.*

Guest Production

Locations Department

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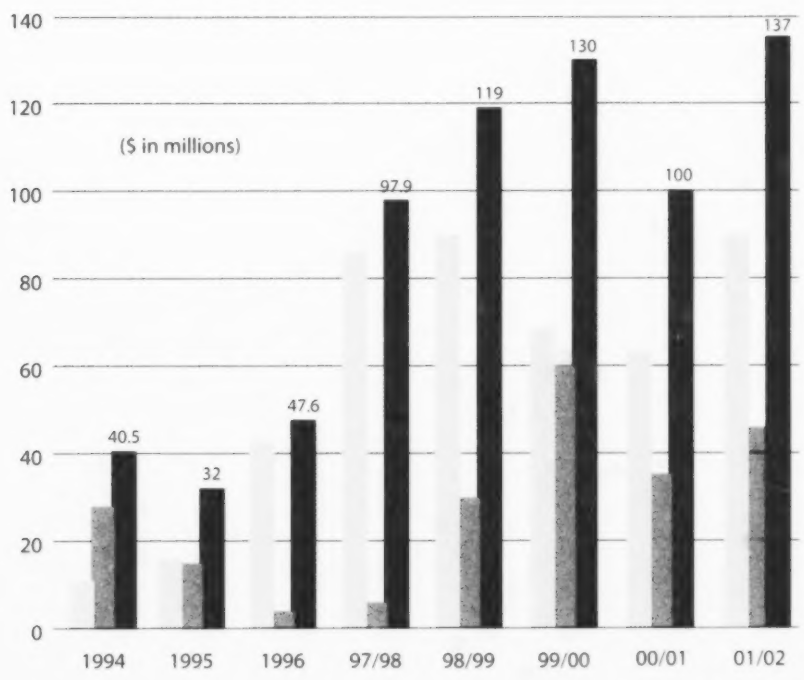
Nova Scotia Film Production



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Nova Scotia

Guest

Total

** Please note that "Guest" production refers to non-Nova Scotia projects filmed in Nova Scotia.*

Auditor's Report

AUDITORS' REPORT

Levy
Casey
Carter
MacLean
Chartered Accountants

**TO THE MEMBERS OF THE BOARD OF THE
NOVA SCOTIA FILM DEVELOPMENT CORPORATION:**

We have audited the statement of financial position of the Nova Scotia Film Development Corporation as at March 31, 2002 and the statements of operation and changes in fund balances for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Leonard L. Levy Inc.
C. Ross Casey Inc.
Terry Carter Ltd.
Stuart S. MacLean Inc.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and the cash flows for the year then ended in accordance with the accounting policies as outlined in Note 2 to the financial statements.

LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS

Halifax, Nova Scotia
May 23, 2002

Page 1

58 Bedford Highway
Fairview Cove
Halifax, Nova Scotia
B3M 2J2
Phone: (902) 445-4446
Fax: (902) 443-4846

Statement of Financial Position as at March 31, 2002

Assets

	General Fund	MTT New Media Fund	Total 2002	Total 2001
Current				
Cash and short-term investments	$1,417,673	$ 389,536	**$ 1,807,209**	$ 1,752,675
Other receivables	98,682	—	**98,682**	151,547
Prepaid expenses	14,098	—	**14,098**	12,198
	$1,530,453	$ 389,536	**$ 1,919,989**	$ 1,916,420

Liabilities

Current				
Payables and accruals, trade	$ 16,901	$ —	**$ 16,901**	$ 28,694
Deferred revenue	18,472	—	**18,472**	15,428
	35,373	—	**35,373**	44,122

Fund Balances

Unrestricted	2,817	81,914	**84,731**	331,617
Committed	1,492,263	307,622	**1,799,885**	1,540,681
	1,495,080	389,536	**1,884,616**	1,872,298
	$1,530,453	$389,536	**$ 1,919,989**	$ 1,916,420

Contingent Commitments General $1,492,263 (2001 - $1,462,760)

MTT New Media Fund $307,622 (2001 - $77,921) **(Note 3)**

APPROVED ON BEHALF OF THE BOARD

Chair

Member

Statement of Financial Position as at March 31, 2002

Assets

	General Fund	MTT New Media Fund	Total 2002	Total 2001
Current				
Cash and short-term investments	$1,417,673	$ 389,536	**$ 1,807,209**	$ 1,752,675
Other receivables	98,682	—	**98,682**	151,547
Prepaid expenses	14,098	—	**14,098**	12,198
	$1,530,453	$ 389,536	**$ 1,919,989**	$ 1,916,420

Liabilities

Current				
Payables and accruals, trade	$ 16,901	$ —	**$ 16,901**	$ 28,694
Deferred revenue	18,472	—	**18,472**	15,428
	35,373	—	**35,373**	44,122

Fund Balances

Unrestricted	2,817	81,914	**84,731**	331,617
Committed	1,492,263	307,622	**1,799,885**	1,540,681
	1,495,080	389,536	**1,884,616**	1,872,298
	$1,530,453	$389,536	**$ 1,919,989**	$ 1,916,420

Contingent Commitments General $1,492,263 (2001 - $1,462,760)

MTT New Media Fund $307,622 (2001 - $77,921) (Note 3)

APPROVED ON BEHALF OF THE BOARD

Chair

Member

The Wild Dogs
imX communications inc.

***Evil Schmeevil**, Virtual Media Productions Limited*

Trudeau
Big Motion Pictures Limited
Photo Credit: Dan Callis

Statement of Operations and Changes in Fund Balances

for the year ended March 31, 2002

	General Fund	MTT New Media Fund	Total 2002	Total 2001
Revenues				
Contributions from the Department of Economic Development (Note 4)	$ 2,529,125	$ —	$ 2,529,125	$ 2,443,375
Recovery of equity investments and development loans (Note 6 & 7)	126,075	—	126,075	226,665
First Works	85,403	—	85,403	43,717
Interest and other income	121,614	13,888	135,502	135,393
	2,862,217	13,888	2,876,105	2,849,150
Expenditures				
Equity investments (Note 6)	1,586,399	—	1,586,399	1,588,955
Project development loans (Note 7)	173,364	—	173,364	210,999
Special project	260,370	—	260,370	275,478
Training assistance	279,167	—	279,167	74,335
Film school feasibility	—	—	—	21,398
First Works	47,158	—	47,158	148,687
New Media development loans	—	28,763	28,763	65,266
Advertising and marketing	113,268	—	113,268	110,110
Administrative expenses	375,298	—	375,298	326,420
	2,835,024	28,763	2,863,787	2,821,648
Excess (deficit) of Revenues over Expenditures	27,193	(14,875)	12,318	27,502
Fund Balances, Beginning of Year	1,467,887	404,411	1,872,298	1,844,796
Fund Balances, End of Year	$ 1,495,080	$ 389,536	$ 1,884,616	$ 1,872,298

Statement of Operations and Changes in Fund Balances

for the year ended March 31, 2002

	General Fund	MTT New Media Fund	Total 2002	Total 2001
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Fund Balances, End of Year	$ 1,495,080	$ 389,536	$ 1,884,616	$ 1,872,298

Notes to Financial Statements

for the year ended March 31, 2002

1. Authority

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant accounting policies

a) A statement of cash flows is not provided since disclosure in the statement of operations and changes in fund balances is considered adequate.

b) The accompanying financial statements have been prepared in accordance with canadian generally accepted accounting principles except for the following items:

i) Program loans and equity participation are charges to current expenditures as disbursed. Recoveries derived from equity investments and development loans are recorded as revenue when received. It is not feasible to accrue recoveries from equity investments and project development loans since these recoveries remain uncertain until received, as they are based upon the financial results of the recipients' activities.

ii) Capital asset acquisitions are recorded as current expenditures.

iii) The costs incurred by government departments providing certain services to the Corporation are not reflected in these statements.

3. Surplus and Contingent Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which will not result in program disbursements until subsequent fiscal periods.

As at March 31, 2002, the Corporation is contractually committed to advance funds totalling $1,492,263 (2001 - $1,462,760) from the general fund and $307,622 (2001 - $77,921) from the MTT New Media Fund as investments and loans in respect of current and future projects.

4. Costs Paid by the Province of Nova Scotia

During the year, services were provided to the Corporation by government departments, the estimated amounts are as follows:

	2002	2001
Legal services	$ 76,284	$ 60,000
Rent	30,000	30,000
	$ 106,284	$ 90,000

The cost of these services is not reflected in these financial statements.

5. MTT New Media Fund

The Corporation and Maritime Tel & Tel (MTT) entered into an agreement on August 18, 1997 for the purpose of assisting the Corporation's mandate to develop Nova Scotia film, video and multi-media productions. MTT agreed to contribute $400,000 over three years (1998 - $75,000; 1999 - $150,000; 2000 - $175,000) which contribution will be matched by the Corporation. These funds are to be segregated and disbursed according to guidelines jointly developed by the Corporation and MTT. The activities, assets and liabilities of this fund have therefore been distinguished from those of the general funds of the Corporation in these financial statements.

6. Equity investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as received.

During the year the Corporation received $108,335 (2001 - $124,295). The total of equity investments of the Corporation to March 31, 2002 is $18,600,749, with recoupment to March 31, 2002 of $951,081, for a net of $17,649,668.

7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. All project development loans are charged to current expenditures when disbursed. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 2002 were $1,262,604 (2001 - $1,087,873). Development loans of $17,741 (2001 - $89,870) were recouped during the year.

8. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer 's contributions are included in the Corporation's administrative expenses. The Public Service Superannuation Fund is administered by the Department of Finance.

9. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependant on the Department of Economic Development for annual funding. Details of any transactions between these related parties are separately disclosed.

Red, Hot & Ready, Ocean Entertainment Limited
Photo Credit: Julien Bevridge

Notes to Financial Statements

for the year ended March 31, 2002

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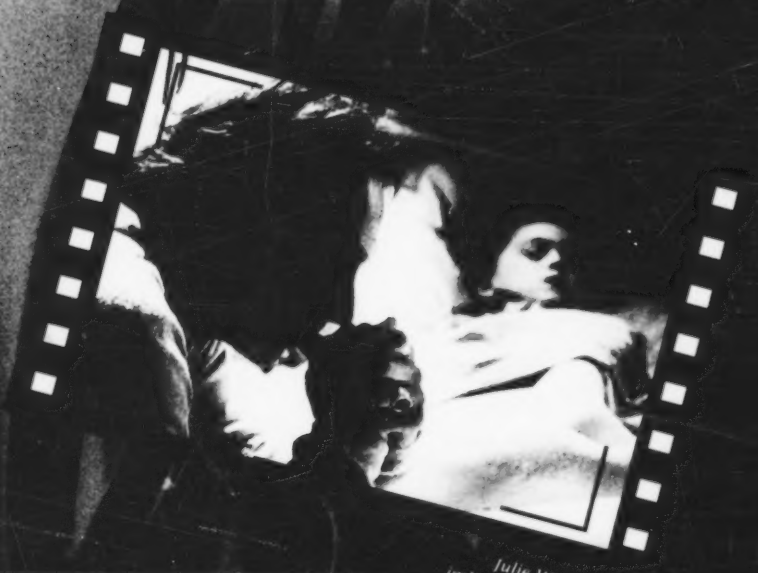
Red, Hot & Ready: Ocean Entertainment Limited
Photo Credit: Julien Beveridge

Marion Bridge
Idlewild Films

Hydrofoils: Flying on Water
Arcadia Entertainment

Words of My Perfect Teacher
Ziji Film and Television



Julie Walking Home
imX communications inc

A Quartette Christmas
New Scotland Pictures Inc Julie

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